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ABSTRACT

Because of increased life spans and lower fertility rates, adults over 65 will continue to comprise a larger proportion of the population. The traditional emphasis on individual and family care of older Americans has been replaced by an emphasis on the obligation of society. Currently, poor health is the most prevalent problem reported among older Americans, although approximately 80% of the elderly are mobile and self-sufficient. Greater attention is needed for chronic health problems. Despite age stereotypes, more older people report that they prefer to work past age 65 and to remain active and productive. Older adults can be an important human resource. The present size and diversity of this group also present a potential market for many kinds of business during the 80's. A better understanding of the product and service needs of the elderly would enable business to serve these needs effectively. (JAC)

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Older Americans: A review of issues and their implications

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OLDER AMERICANS: A REVIEW OF ISSUES AND THEIR IMPLICATIONS

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HIGHLIGHTS

+ During the past thirty years the proportion of the U.S. population 65 years and older has grown from 8 percent to 11 percent. By 2025 the proportion is expected to be 17 percent. The greatest growth will be among those 80 and older. This group is expected to increase by more than 50 percent by the year 2000.

+ The American public tends to view people 65 and over as a homogeneous group, characterized by ill health and a lowered ability to adjust to new situations. These views not only contradict the actual experience of older people, whose abilities and needs are as heterogeneous as those of many younger people, but also tend to act as barriers to the employment of older workers and to the effective marketing of products and services to older people.

+ Present health care systems do not adequately service many of the health problems of Americans 65 and older. There is a need for more training in geriatric medicine and for broader insurance coverage of home care and out-patient mental health services.

+ The imbalance caused by a decreasing number of workers to support an increasing number of retirees is creating financial strain on both the Social Security system and private pension plans. Two federal commissions--The President's Commission on Pension Policy and The National Commission on Social Security--have been created to investigate these and other related problems. In a preliminary report, The Commission on Pension Policy has suggested changes in tax laws to encourage individual retirement savings, the taxation of Social Security benefits, and the creation of mandatory private pensions.

+ A recent study by Louis Harris concludes that the early retirement trend may be ending, based on the many workers who express a desire to work beyond age 65. These attitudes, combined with legislated changes in mandatory retirement policies and the need to reduce the financial strain on Social Security and private pensions (cited above), suggest that employers may have to adjust personnel practices to provide meaningful work options for older employees.

+ Securing adequate housing throughout old age on a relatively fixed income is becoming increasingly difficult. The development of financial instruments, such as reverse annuity mortgages, can help to solve this problem by allowing the elderly to convert the equity in their homes to a source of income.

+ Properly designed crime prevention programs can be very effective in reducing crime. Such programs may help reduce older persons' fear of crime, which is a major factor limiting their mobility and their ability to be self-sufficient.

+ As consumers, the elderly possess more limited choices than other age groups because of restrictions in physical mobility and a lack of both product information and information on how to obtain available services. They need assistance with transportion and specially-designed product information, particularly in connection with complex products such as insurance.

+ Older people themselves represent an enormous and underutilized human resource which could be used effectively to help solve some of the problems faced by their peers and the larger society.

INTRODUCTION

The "Graying of America" is a theme the American public will be hearing often during this decade. Because of increased lifespans and lower fertility rates, people 65 and older will continue to comprise a larger and larger proportion of the population. In 1950, for example, there were 12.4 million Americans 65 and over, roughly 8 percent of the population; currently there are 24.9 million older Americans, about 11 percent of the population; by 2025 there will be an estimated 51 million, about 17 percent of the population. These numbers increasingly will enter into discussions of the future of Social Security and pensions, mandatory retirement, nursing homes, and a host of other related issues.

But population numbers are not the only reason we will be hearing this theme. The political influence of older people is growing, even beyond their growth in numbers. The elderly are more likely to vote than younger age groups. In the last presidential election, only 31 percent of those under 35 eligible to vote did so, but 56 percent of the elderly did. They also have organized large and effective legislative pressure groups, which have accounted, in large part, for the ease with which legislation favorable to older Americans has recently been enacted. Added to all of this is the strong intergenerational bond between the elderly and their children--the middle-aged.

Public Responsibility for the Aged

During the last two generations, an important redefinition regarding obligations toward older Americans has developed. The traditional emphasis on individual and family obligations has been replaced by an emphasis on the obligations of the general society. As

a result, there now exists a network of income systems, legal support, and service agencies directed toward needs which were once considered to be family obligations. This system of support for the elderly has become enormous and is placing a growing burden on our national resources. Annual federal spending on programs for the aging (including Social Security and Medicare) now exceeds $150 billion. Estimates indicate that by the year 2025, with nearly 20 percent of all Americans 65 or older, about 40 percent of the federal budget will be devoted to this age group.

This system of support for older Americans has met some needs effectively, while other needs have either been ignored or have been subjected to ineffective remedies. Many elderly who could be helped by government services are not being reached. In some localities, nearly two out of three elderly persons eligible for food stamps are not receiving them, and only half the blind or disabled old persons who qualify for Federal Supplemental Security Income payments are getting them.

One consequence of this trend toward public responsibility for the elderly is the tendency to view them as separate from the rest of the population and as alike in terms of their needs and capabilities. This situation has given rise to a number of misconceptions which the general public holds about older people. A public attitude study, conducted in 1974 by Louis Harris for the National Council on the Aging (NCOA), revealed that most Americans viewed people over 65 as largely indigent, in poor health, unalert, and suffering from extreme loneliness. Yet, when asked about themselves, older persons reported that they were mentally alert, in relatively good physical health, open-minded, able to get things done, and highly adaptable. Above all, older people indicated that they wanted to be given the chance to participate fully in society and not to be isolated within their own age group.

Part of the confusion stems from the fact that the image the public has of a person over 65 is actually more representative of an image of a person over 80, when frail health and a decline in mental alertness are much more likely to be problems. Actually, the capabilities and needs of those 80 and older are typically very different from those of people 65-79. Because of this, many aging experts refer to two generations of the elderly--the "young-old" (65-79) and the "old-old" (80+). The "young-old" tend to be more financially secure, more healthly, and more likely to be living with a spouse. The "old-old" are comprised disproportionately of poor, widowed women living alone. Yet, it is this "old-old" group that will be growing the most rapidly (56 percent growth during the next twenty years vs. 20 percent growth during that same time for the "young-old") and who are least adequately served by present public assistance programs.*

Private Sector Responses

Demographic and political factors point to increased pressure in the years ahead to respond to the needs of older Americans. If these responses continue to require extensive use of public funds, competition with other social groups which also need assistance will become intense, particularly if the competition occurs during a period of unfavorable economic conditions. As a practical matter, during the coming decade, adequate response to needs of the elderly will require approaches other than simply

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*In subsequent chapters the terms "older Americans," "elderly," "older persons," and "aged," unless more specifically defined, refer to the entire population of persons 65 and older. This is done solely for the sake of narrative simplicity and is not meant to obscure the difference between the "young-old" and the "old-old."

increasing public financial support. It will become essential to utilize to the fullest level possible all existing resources--particularly the human resource.

Older people themselves represent a resource that has significant potential. The 1974 Harris study demonstrated that most older Americans do not view themselves simply as recipients of economic support from the rest of society. To the contrary, many wish above all to remain a productive part of the mainstream, but are prevented from doing so by attitudes, by existing institutional barriers, and by a need for more effective mechanisms to bring resources and problems together. Effective responses to the needs of older Americans increasingly must engage the enormous and presently underused resources possessed by the elderly themselves. It will be difficult to tap these resources without a coalition of effort which involves many elements of our society.

Up to now, the business community has focused little attention on the elderly population. The negative picture of the elderly held by much of the American public has been reflected in business practices. Aging employees are regarded by many corporations as less productive than younger workers and as a potential problem if they remain in the labor force beyond age 65. The older population is often regarded as a less promising market for consumer goods and services, as evidenced by consumer ads which typically address younger age groups. These priorities are also demonstrated by private foundations which, in contrast to the Federal government, allocate only 3 percent of their philanthropic contributions for help to the elderly.

This year's Travelers in Society will examine the major issues relating to older Americans, as well as the problems and possible remedies associated with each. These problems and remedies have a significance for The Travelers--as a provider of financial products and services, as an employer, and as an association of individuals, each of whom has a direct and inescapable interest in the concerns of aging.

HEALTH AND HEALTH CARE

Currently, poor health is the most prevalent problem reported by Americans 65 and older, even more prevalent than problems of financial security. In a 1974 survey conducted by Louis Harris and sponsored by the National Council on the Aging, 50 percent of the respondents over 65 indicated that poor health was a serious problem for them, compared with 40 percent indicating that not having enough money to live on was a serious problem. However, for the most part, the health problems the elderly speak of are not ones which severely limit their activities. About 80 percent of the elderly are mobile and self-sufficient; only 10 percent are functionally disabled, either mentally or physically.

Availability of Adequate Health Care Delivery Systems

Ironically, many health problems of the elderly reflect medical success in preventing, curing, and controlling the diseases that have previously resulted in premature death. People who normally would have died of heart attacks at 45, for example, today are surviving well into their 70's. Their medical problems are no longer acute ones; they are primarily chronic and degenerative ones. About 85 percent of the 65 and over age group have some chronic medical condition--31 percent have circulatory problems, 24 percent have arthritis, 29 percent have some hearing loss and 10 percent have a chronic digestive problem. In fact, of the 10 major causes of death for persons 65 and over, eight are chronic and degenerative diseases.

Acute Care Systems

Both the present medical care system and the present medical insurance system (Medicare as well as private insurance programs) are not designed to respond well to these problems.

They are designed primarily to respond to acute problems where short-term, crisis-type medical intervention can be maximally effective. Chronic problems, which by definition imply a deficiency over a long period of time, are not helped significantly by such episodic responses. Effective care of the chronic problems of the elderly demands both an emphasis on professional rehabilitative services and long-term treatment, and also a commitment to other services such as housekeeping, not previously considered medical, but that help improve the older person's ability to function despite a chronic medical problem. As the population of older people expands, effective treatment of chronic health problems becomes increasingly important.

Continuum-of-Care Approach

Recognizing the gap in health care for the aged, the 1978 Amendment to the Older Americans Act authorized the Administration on Aging to begin to develop what it calls a continuum-of-care approach to the health needs of older Americans. Such a continuum-of-care approach would expand present medical delivery systems to include a wide spectrum of home-care services, such as housekeeping and meal preparation, as well as services that mix home and institutional settings, such as day hospitals. The goal is to be able to match each individual with the level of service appropriate to his or her particular needs.

At one end of this continuum of care is the nursing home. Although it services only 5 percent of those 65 and over, it is perhaps the most controversial medical delivery system for the elderly. Nursing-home patients are primarily the old-old and those without living family members. The average age of patients is 82, the majority being women. Twenty percent of the patients have never been married, compared to 6 percent of the general elderly population, and almost 50 percent have no living children or spouses. Many of the

patients are put in the homes because they have no relatives to care for them and because the custodial care they need is not available elsewhere within the community. If a full range of home-care services were developed, experts estimate that from 10 to 40 percent of present nursing-home patients could be returned to their communities.

At the other end of the continuum is family care. About 80 percent of the medically-related personal care to the chronically-limited elderly is given by family members. About 30 percent of these recipients need constant rather than intermittent care, resulting in about twice as many elderly with total functional disabilities being cared for by their families than by nursing homes.

At the present time, over 70 percent of those 65 and over have living children. With increasing life spans leading to more multi-generational families, the potential for family care grows. However, problems remain. In the first place, since the burden of family care for the elderly usually falls on women, such care is becoming increasingly difficult as more and more women enter the labor force. Secondly, caring for an older person, particularly a severely disabled one, is highly stressful for the family. Some of these results can be seen in newspaper and TV reports of parent abuse and in the high frequency of depression found in families where a dependent parent lives.

Recognizing that the strain on a family which is caring for a severely disabled parent can cause the family to place the parent in a nursing home, aging specialists are developing programs, as part of the continuum of care, which support the family-care system. These include regular day care for the elderly at special centers where some type of medical services can be provided, day hospitals for the more seriously ill, and respite care, a type of day-care center where an older person who is usually cared for by family can go when, for example, the family is on vacation. A bill under consideration by the U.S. Senate

recommends a tax credit for families with dependent parents, which would provide a degree of financial support.

Geriatric Medicine

The health-care systems for the elderly are plagued not only by the lack of appropriate delivery systems, but also by the lack of knowledge of the health problems peculiar to the older person. Geriatric medicine, as a medical specialty, is only in its infancy. Up until three years ago, there were only 15 medical school faculty members (out of 25,000) who were specially trained in geriatric medicine and only three medical schools that offered geriatric medicine programs. The situation is changing now as federal funds are being offered to most medical schools for the establishment of geriatric training programs. Increased attention to scientific research on the aging process itself is also making the development of such training programs possible. It has been only in the last decade that enough information has been accumulated to permit the building of a body of knowledge about aging and its implications for health. Yet, because geriatric medicine is still a scarce commodity, problems of mistreatment, overtreatment, and undertreatment of elderly patients are likely to occur, causing inefficient use of both monetary and human resources.

Drug-related problems

Older Americans purchase 25 percent of all prescriptions. Inappropriate use of these medications is a serious concern. One problem is that dosage levels recommended for older people are often based on research with middle-aged patients. Middle-aged people have higher drug tolerance levels than their older counterparts. Serious drug toxicity

problems and other health complications can result. For example, propanol, a drug often prescribed to treat the chest pain symptoms of angina pectoris, has a tendency to produce heart failure in the elderly patient, whose heart cannot deal with the extra stress it produces. This drug rarely causes such heart failure in middle-aged patients because their hearts are sufficiently strong to withstand the additional stress induced by the drug. Drug toxicity problems can also result from the unanticipated interaction of incompatible drugs. This occurs because patients often take medications prescribed by different physicians who are unaware of what other physicians may have prescribed. A further problem concerns the fact that 12 of the 20 most common medications used in treating patients over 65 have a sedating effect. If patients are not forewarned of these effects and they equate the slowing down of their responses with failing health and dying, the resulting anxiety and depression can create additional and serious health problems.

Nutrition

Although older people may not eat nutritionally sound diets because of limited budgets, there are other causes which are as likely to create nutritional problems. One very simple reason is the difficulty in chewing because of missing teeth. It is estimated that over 50 percent of people 65 and over have lost most or all their natural teeth. (This is a problem that will be alleviated somewhat in the future based on the widespread use of adequate dental care during the last 25 years.) A second reason is that food is less attractive because taste buds lose their sensitivity as part of the aging process. Most importantly, many older people suffer from vitamin deficiencies because some vitamins are depleted in the process of metabolizing certain drugs.

Mental Health Problems

Physicians and lay people alike have tended to view many of the mental health problems of older people, such as loss of memory (senility) and pessimism, as part of the normal aging process, and hence untreatable. Only recently is the medical profession beginning to recognize that these problems are not part of the normal aging process and that many are in fact treatable. Senile conditions in which there is extreme loss of memory and a general inability to function in normal social situations represent a specific disease of the brain, medically known as senile dementia. The cause and effective treatment of this disease as yet are not known. Hardening of the arteries was once thought to be the primary cause, but doctors now agree that this accounts for only a small number of the cases. The most likely possible causes appear to be a virus, failure of some chemical messenger systems in the brain, or perhaps failure of immunization processes.

Senile dementia is a disease of the old-old. Affecting about 20 percent of people aged 80 and older, it is the most common catastrophic illness among that age group. Since 80-year-olds are the fastest growing segment of the population, increasing pressure is being put on the medical profession to learn more about the causes and treatment of this disease.

It is also true that a large proportion--perhaps as large as 40 percent--of those diagnosed as suffering from senility actually have conditions that might better be labeled "pseudo-senility." These conditions, if diagnosed properly, are treatable. For example, vitamin deficiencies and drug toxicity have symptoms which mimic the disorientation and confusion of senility; these are treatable forms of "pseudosenility." Simple depression is another problem that is often mistakenly diagnosed as senility. It is actually a more common problem among older Americans than true senility. About 10 to 20 percent of

those 65 and over are believed to suffer from depression, much of it a response to social isolation or the death of a spouse or other family member. The seriousness of the problem is indicated by the fact that those over 65 comprise 11 percent of the population but commit 25 percent of known suicides. It is estimated that 90 percent of these suicides occur in people suffering from depressive illness. Depression is amenable to treatment, yet despite its prevalence among that age group, only between 2 and 4 percent of elderly patients are ever treated for it.

Health Care Utilization and Cost

The need for a greater understanding of the medical problems of the elderly is all the more important because the elderly are such heavy users of medical resources. Although they comprise only 11 percent of the population, they utilize 30 percent of all medical resources.

+ About 40 percent of internists' time and 20 percent of family practitioners' time is spent with patients 65 and over.

+ About 40 percent of the nation's one million short-stay (acute) hospital beds are occupied by patients 65 and over. Persons 65-69 need an average of 3.0 days of short-stay hospital care a year; persons in their late 70's need an average of 4.7; by contrast, those under 65 need only 1.2 days a year.

According to the Health Care Financing Administration, the total 1980 health bill for the elderly will be about $65 billion. The largest part of the expenditures--45 percent--will be to hospitals for short-term stays; 17 percent will go to physicians for their fees;

another 23 percent of the expenditures will go to nursing homes for long-term care. These latter expenditures are very controversial, not only because of the charges of inadequate care in nursing homes, but also because they benefit only 5 percent of the elderly population.

Almost two-thirds of the health bill is paid for by government funds. Medicare covers about 45 percent and the remaining 20 percent is covered by Medicaid (supplemental health benefits for low-income elderly) and a variety of other programs. Medicare covers most of the short-term hospital expenditures and physicians' fees. It covers only 3 percent of nursing-home fees, which are primarily for custodial care and, therefore, do not fit the definition of skilled medical care upon which Medicare is based. Medicaid will pay for nursing-home costs, although income requirements and covered expenses are determined by each state. Because Medicaid is virtually the only source of government funds for nursing-home expenses, and because care in nursing homes is very expensive, many elderly must deplete their assets, often by selling their homes, to meet income eligibility requirements.

Since the passage of Medicare legislation in the mid-1960's, health-care costs have risen almost 40 percent more than the Consumer Price Index. The escalating costs of the health bill for the elderly are especially important because we, as taxpayers, pay such a large part of it. Although the health insurance industry has taken a leading role in trying to reduce costs through its design of health insurance plans and its advertising program "Let's Keep Health Care Healthy," there are other areas, specifically targeted to the health problems of the elderly, where significant cost-savings might be achieved. Three of these areas are discussed briefly below.

Claim Processing Costs

Only about 5 percent of the Medicare budget goes to administrative costs, but with its enormous budget, this amounts to almost $1.5 billion. Payments to insurance companies for administering claims processing are a part of these costs. Travelers alone services 2.5 million Medicare insureds, processes over 13 million Medicare claims per year (10 million Part B claims, 3.5 million Part A claims) and pays $630 million a year in Medicare benefits ($400 million Part B, $230 million Part A), an amount equivalent to one quarter of the benefits paid by Travelers to all its U.S. and Canadian group health insureds. Claim productivity can be increased while maintaining quality and timeliness of claim processing through the use of uniform medical procedure codes and electronic media claim submissions. The Health Care Financing Administration is currently experimenting with standardized procedure codes and electronic submission and expects to have phased in the new systems in the next five years. While these changes may result in a decrease in efficiency in the short term, they are expected to result in significant productivity gains in the long run.

Coverage Issues

Almost two-thirds of the health bill for the elderly goes to hospitals and nursing homes. However, some of the care being performed by the hospitals and nursing homes could be done as well and more cost-effectively through other delivery systems. Since these alternative, lower-cost delivery systems are not covered by Medicare or most private insurance plans, they are not utilized as extensively as they might be. Home health care is perhaps the best example. A recent study for the Administration on Aging has shown that families are more willing to care for older parents if outside help is available. Expanding coverage to include periodic housekeeping chores and nutrition counseling and

eliminating the prior hospitalization requirement for eligibility for home health care would provide incentives to allow elderly who might otherwise be institutionalized to remain in their homes. The U.S. Congress is presently considering bills that would expand such home care services for Medicaid patients. Psychiatric care is another area where cost savings might occur. Medicare presently covers only $250 a year in outpatient psychiatric expenses, but covers 190 days of inpatient psychiatric care. Given the large number of mental health problems described earlier, greater coverage of outpatient psychiatric services might ultimately lower costs. One clinic in Pennsylvania estimates that it saves taxpayers $200,000 a year by using outpatient psychiatric services to avert unnecessary hospitalization and institutionalization. This fall, the Department of Health and Human Services will launch a demonstration project which will expand Medicare coverage for community mental health care. In each of these instances, methods are needed to assure that lower intensity services are substituted for higher intensity ones and that overall costs do not pyramid because of a larger base of beneficiaries.

Preventive Health Care

Much can be done to prevent many of the health problems of older people. Areas where substantial benefits could accrue include:

+ Home safety: Falls and other accidents occur much more frequently among the elderly. Hip fractures alone account for 200,000 injuries each year. Many of these patients are sent to long-term care institutions. Better lighting, sturdy railings and steps, and secure floor surfaces are effective measures to help prevent some of these accidents.

+ Health screening programs: Low utilization of available health prevention services is often related to a lack of transportation or to high costs. Mobile clinics which provide physical examinations could reduce medical costs through early detection of medical problems.

+ Exercise programs: Regular exercise, besides promoting better muscle development and cardio-respiratory endurance, helps maintain balance skills needed for personal safety.

* *

The overriding issue with respect to the delivery of health care to older Americans is the need for more effective and efficient use of human and monetary resources. There are several current directions in the field of aging which attempt to solve this problem. One is the creation of geriatric medical training programs, aimed at training physicians to deal with the health problems peculiar to older people. Increased availability of geriatric medicine should greatly improve both diagnosis and treatment of many of the elderly's medical and mental health problems.

Another area is the development of new health care delivery systems, such as adult day care and home care, which allow older people to remain in their communities rather than being relocated to institutions. These new delivery systems should reduce overall costs as well as provide types of care that now are not widely available to the elderly. However, the existence of programs to serve older people's health needs does not insure proper utilization of the services. To this end, the challenge to health care providers in the field of aging is to develop mechanisms by which they can maximize appropriate use of the services. The Connecticut Department on Aging has been in the forefront of innovations

in this area. In 1974, it initiated Project Triage, which provided older residents with a single entry point for all medical and health-related social services at a cost comparable to that spent on medical services alone. Although the project was officially terminated in June 1980, it will be carried on as a federally-funded demonstration project under the newly-formed, non-profit corporation, Connecticut Community Care Inc.

EMPLOYMENT AND RETIREMENT

Retirement is a product of our contemporary, urban, industrialized society. It did not exist prior to the twentieth century. It still does not exist among small-scale farmers, fisherman and small businessmen, for whom retirement is a personal decision, determined mainly by health and preference. In this country, retirement at the arbitrary age of 65 was institutionalized with the passage of the Social Security Act in 1935. The Social Security Act was designed to provide assistance to older persons who would have no means of supporting themselves in their old age unless they remained on their jobs. At the time this act was passed, jobs were scarce. The act caused organizations to develop retirement policies which set 65 as the mandatory age for retirement and the time at which full retirement benefits would be granted. Thus, 65 came to be regarded as the "normal" age for retirement.

The Retirement Decision

Retirement was once thought of as the conclusion of active life and a reflection of the inability to continue to make a recognizable contribution to society. More recently, retirement has come to be viewed as a desirable objective, a reward for having achieved a level of financial security which allows leisure as early as possible. A major factor in the changed attitude has been the increased sense of financial security provided by broader private pension benefits and expanded benefits from Social Security and Medicare.

In recent years, the predominant age for retirement has fallen to 62, as retirement policies have been liberalized to provide income benefits prior to age 65. Statistics from both private and public sectors support the view that the trend has been steadily toward

early retirement. A 1977 Conference Board survey found that over 50 percent of employees were retiring before age 65. In that year, by age 65, only 20 percent of men and 8 percent of women who were 65 and over remained in the labor force. In industries where there is a high concentration of blue-collar workers, the figure for early retirement is higher than for other workers, and the age falls below 62. For example, General Motors reported that in 1975 the average age for retirement was 58 and that 98 percent of their employees retired before age 65.

Besides public policy and organizational practices, there are several critical considerations which enter into each person's retirement-related decisions. A Social Security Administration study published in 1971 indicated that health was the most important reason cited for retirement. The second most frequent response was personal preference--people who were choosing to retire early either because of a negative attitude toward their work or a positive anticipation of retirement. Finances, including mortgage obligations, and responsibility for children are also major considerations in retirement timing.

Age Discrimination Legislation

Despite the undeniable trend toward early retirement, the 1978 Amendments to the Age Discrimination in Employment Act (ADEA) effectively revised the notion of mandatory retirement. Before considering the forces which precipitated the unprecedented speedy passage of these amendments, a closer look at ADEA might be helpful.

The 1978 Amendments to the Age Discrimination in Employment Act prohibit mandatory retirement prior to age 70 in companies with 20 or more employees. (As with all laws,

this one has its share of exceptions.) For federal employees, age-based retirement restrictions were eliminated completely. There are strong indications that by 1982 there will be further legislation eliminating the upper age limit in the private sector as well. Several states, including Connecticut, have already passed laws, which apply to most corporate employees, prohibiting mandatory retirement at any age.

Both the original law (ADEA), enacted in 1967, as well as the 1978 amendments were intended to promote employment of older persons based on their ability rather than their age and to prevent discrimination based solely on age. As ADEA stands today, it does not guarantee full equality of treatment of employees, but rather allows the employer to determine which, if any, adjustments to benefit and pension plan provisions will be made. For example, the employer may stop contributing to an employee's pension plan after the "normal" retirement age.

Both history and the limited experience since the 1978 amendments became law suggest a consistent pattern: relatively few employees choose to extend their working careers. What then was pushing to remove mandatory retirement and why?

Mandatory retirement moved from issue to law with unusual speed for several reasons: economic projections, demographic realities, a climate sympathetic to human rights, political pressure, and growing numbers of vocal and assertive older persons. The issue became one of righting a "moral wrong" which engendered widespread public sentiment in its favor.

Additionally, concern was mounting over the economic imbalance created by the growing financial burden of Social Security. The Social Security payments received by the retired population are funded by taxes on the income of the current working population. In 1935,

when the Social Security Act was adopted, there were 11 people in the labor force for every one person 65 and older. Today the ratio is about three to one. Since the number of young children up to age 13 is steadily dropping and the number of people 65 and over is steadily growing, in the future there will be fewer working Americans to support, through Social Security transfer payments, more Americans in retirement. Such an imbalance could be dangerous economically and divisive socially.

Employment for Older Americans

When the new ADEA amendments went into effect (on January 1, 1979, for most employees) the speculation was that the lure of early retirement was too pervasive and firmly entrenched to be affected significantly by the lifting of the mandatory retirement age. That view evidently did not reflect the continued high inflation that the past year has witnessed. Currently, there is speculation that older workers are rethinking the attraction of retiring on a fixed pension that will constantly be eroded by high inflation.

A nationwide poll of workers and retirees by Louis Harris and Associates (commissioned by Johnson & Higgins) made public in February 1979--too soon after passage of the ADEA Amendments for that to have had an impact--highlights the change in attitude.

+ More than half of all the employees interviewed wanted to continue working beyond 65.

+ A majority of retirees who had been forced to retire said that they would have preferred to continue working.

The Harris report concludes that the early retirement trend appears not only to be ending, but also that the trend may shift toward postponing retirement to higher and higher ages.

Obstacles to Employment

ADEA does provide tangible endorsement of and limited support for the continued employment of older workers. Nevertheless, other obstacles remain in the form of national policies and corporate practices that create disincentives for older workers.

+ People between the ages of 65 and 72 lose 50 cents in Social Security payments for every dollar earned over the allowable amount, which is currently $5,000.

+ The quality of work available to older workers is often not equal to the worker's ability, and it is most likely that pay is minimal.

Additionally, pervasive stereotypes persist--that older people are set in their ways, limited physically and mentally, and that they suffer from ill health. As a result of these obstacles, a large proportion of older people withdraw from the labor force because they believe it will be impossible to find work.

As discussed in the previous chapter, "Health and Health Care," aging is accompanied by certain physiological changes. These can include decline in sensory processes, particularly vision, failures in the immunity system that lead to cardiovascular and kidney problems, and degenerative diseases such as rheumatoid arthritis. While 85 percent of those workers over 65 suffer from chronic diseases, these are not sudden afflictions. Manifestations of these conditions appear, in many instances, even prior to age 60. Since they can be

controlled by medical treatment, they need not interfere with normal life, including work. Medical evidence indicates that age per se does not necessarily indicate anything significant about worker performance.

Findings by the American Medical Association, the National Institute on Aging and others strongly indicate that the shock of unwilling retirement, excess time in retirement, and concern over the loss of earning power comprise a threat to an older person's mental and physical health and can contribute to physical and emotional deterioration and premature death.

Employment Options

It seems clear from survey results, legislative activity, media coverage of related issues, and the prevailing mood of the country that people want to have a greater degree of control over their working lives and jobs in older years and that pressure against age discrimination in employment will continue and increase. There appears to be a growing conviction among national experts in the field that issues relating to employment for older Americans represent a "sleeping giant," which will be the focus of growing activity. Peter Drucker predicts that control over one's work-related decisions in older years is going to be the major "employee benefit" of the next decade.Implicit in this theme of choice and control is the need for employment options that allow for flexibility in retirement.

Expanded employment options, while far from commonplace as yet, are in place in a few businesses. These programs focus on one of three general directions:

1. Flexible Retirement

   + Reduced work year: Employees who meet service and/or age requirements take off blocks of time prior to selected retirement date. The intention is to give employees an opportunity to try out retirement.
   + Reduced workweek: Employees who meet service and/or age requirements can reduce workweeks by one or two days, often on a graduated basis and usually at a commensurate reduction in pay.

2. Post-retirement Employment

   + Job sharing: Permanent full-time jobs staffed with part-time workers.

   + Part-time employment: Variations include working less than a full week, either fewer days per week or fewer hours per day; working for certain pre-determined periods such as peak business season or vacation season; working outside business hours to fulfill a specific business requirement.

3. Second Career Programs: Provide assistance for older workers through career counseling, educational reimbursement, sabbaticals or links with community job-placement services, in order to help translate existing skills and interests into a different kind of work. Second careers provide an appealing option, especially for early retirees, to capitalize on skills and interests developed outside work, to enter new fields, or to apply work-related skills in a new situations. A second career may be a way of reentering the labor force after a period of retirement. Second careers also offer an appropriate alternative for employers in instances where a middle-aged employee is stagnating and barely competent, as well as for middle-aged people who find themselves in dead-end or deadening jobs.

Consideration of these options clearly does present a new set of challenges and requires rethinking such dimensions as job design to accommodate meaningful part time employment; performance evaluation and promotion programs that establish effective and valid criteria for determining competence; and an employee benefit package appropriate to the needs of older part-time employees. The older employee, for instance, needs supplementary health insurance to fill in the gaps in Medicare, but if covered by Social Security and/or another pension program does not need unemployment insurance.

Increased emphasis on flexibility also increases the need for employees to be more aware of exactly what is involved in thinking through their retirement decisions and the anticipated consequences of their choices. Already, there seems to be greater emphasis, especially among large public and private employers, on retirement planning that is comprehensive and begins at an earlier age than has been typical.

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The work force in the U.S. is aging and there are increasing indications that the combination of demographics, attitudes, and public policies will begin to cause organizations to revise their thinking about older workers. Responding to these changes will require adjustments to corporate policies and practices to ensure that older workers will find continued meaningful employment--age-free performance standards based on precise definitions of abilities and skills required for various jobs; improved analysis of individual performance; adjustments to pension benefits that correspond to expanded employment options for older workers and flexible retirement; and more comprehensive career counseling and retirement planning programs.

RETIREMENT INCOME

To a great extent, both status and satisfaction in retirement depend on the income of the retired person. On the bright side of the retirement income picture --

+ In 1977, only one out of every seven persons 65 and over had incomes below the poverty level. This is a big improvement from the one in four that existed in 1970.

+ The average income for people over 65 in 1978, including private pensions, outside income, and Social Security, was $11,440 for couples and $6,680 for singles.

+ Nearly all retirees who receive a private pension live above the official poverty line.

+ Social Security benefits have increased by more than 160 percent since 1965, while the Consumer Price Index has increased 120 percent.

+ Presently, about 50 percent of the work force are covered by private pension plans.

On the darker side of the picture --

+ As of 1977, 27 percent of the people between the ages of 65-77 who were receiving Social Security had no other source of income. Their average total income was $2,200, which is below the poverty line both for couples and for individuals.

+ Fully one-third of the 65-and-over population now consists of single women, and, in 1976, they had a median income of $3,370.

+ A pension providing $100 a month in 1970 had the purchasing power of $72.60 in 1975; today, that purchasing power has declined to $48.60. Of the very few pension plans with automatic cost-of-living increases, most have a 3 percent yearly ceiling.

+ In 1976, slightly less than one-third of those over 65 were receiving an employer pension (including federal and local government pensions) in addition to Social Security benefits.

While poverty among older people in the United States has been significantly reduced in the past decade, there remain groups of people who do suffer from inadequate incomes during their later years. Many people reaching retirement age have always had low incomes and old age merely compounds the problems of a lifetime of poverty or near-poverty. People who have adequate pension plans during their working years rarely experience poverty in retirement. Those who were not included, or who were not able to be vested are more likely to be in poverty after retirement. Women workers are less likely to participate in pension plans and are less likely to be entitled to benefits than men. The poverty rate is significantly higher for elderly minorities, rural dwellers, and single people not living with family members.

Income is a critical determinant of the quality of older people's lives because it directly affects other important aspects of their lives--the maintenance of physical and mental health, transportation utilization, level of social participation, maintenance of adequate housing and nutrition, vulnerability to crime, and their overall sense of security.

Primary Sources of Retirement Income

Social Security was established in 1935 to provide universal minimum income protection in retirement. It is the backbone of the retirement income system. Social Security provides potential protection for income in retirement for over 90 percent of workers presently employed in the private sector. The Federal Government also has 68 separate retirement programs for federal employees, 90 percent of whom are not covered under Social Security. At least 6,630 state and local retirement plans provide retirement income for state, county and municipal employees, about 35 percent of whom are covered only under such a retirement plan.

While Social Security remains the major source of income for a majority of retired workers, more than 50 percent of full-time private-sector employees currently are covered under private pension plans. Not all workers covered under these plans, however, will receive pensions because they will not stay long enough for their benefits to be vested. Recent government surveys found that the benefits of only half of all pension participants are vested, though for older workers (55-64) the proportion is about 70 percent. Private pension plans were relatively few in number until the 1940's and grew rapidly during the 1950's. In 1940, 12 percent of the private work force participated in pension plans, in 1950 it was 21 percent, and by 1960 it rose to 41 percent. By 1978, 3.8 million households received an average of $3,150 per year from private pension plans.

Private-sector employees who are not covered under a company plan may establish Individual Retirement Accounts (IRA) or, if self-employed, Keogh Accounts. Other forms of individual retirement income include savings accounts, ordinary life insurance, investments in other financial assets, and equity in homes.

Despite the limited availability of employment for older people and the usually low-paying nature of available work, earnings represent a significant source of income for many older people. One out of every five men 65 and over and one out of every 12 women 65 and over were in the labor force in 1978. Their incomes were $5,526 and $3,087 respectively. The older the person is, the less likely it is that employment of any kind will be available as a source of income, and the older the person is, the more likely it is that inflation has cut into real income, making income from salary more critical.

Effects of Inflation

Although Social Security tracks with cost-of-living, less than 10 percent of today's pensioners are covered by private pension plans that allow for cost-of-living increases. Elderly families and individuals spend a relatively larger proportion of their incomes on housing, food, and medical care than younger consumers. Over the past decade, the costs for these necessities have risen even faster than the Consumer Price Index, which is the determinant of Social Security cost-of-living increases.

Even so, unlike private pensions, Social Security is intended to be the foundation of retirement income, not the sole source of that income. A study conducted last fall by the President's Commission on Pension Policy found that about 58 percent of those surveyed expect Social Security to be their prime source of retirement income, and nearly 66 percent believe their retirement income will not be adequate to meet their needs.

Inflation drastically affects these pension plans from all sides--the pensioner, the employer and the worker. Since the dollar value of a pension is fixed, spending power decreases as inflation increases. Yet, indexing private pensions to the inflation rate to

offset erosion of fixed retirement incomes is viewed by many experts as impractical and even dangerous to the financial stability of the pension plans. To cover the increases in Social Security benefits, such as the recent 14.3 percent boost effective July 1, 1980, current workers are required to contribute an increasing portion of their earnings to Social Security payments through FICA.

Forces for Change

Several factors seem to be causing a rethinking of work/retirement patterns. The single most significant factor, assuming current policies, is the likely escalation of pension costs over the next several decades due to the changing age structure of the population. The aging of the post-World War II baby-boom generation, combined with anticipated low fertility rates and improved mortality rates, will reduce the ratio of working-age population (22-64) to retirement-age population (65+). Concern generated by this projection has to do with the growing cost for taxpayers resulting from the reduced number of workers per retiree. Since Social Security is basically a "pay-as-you-go" system in which the taxes from the current working generation go to pay benefits for the current retired generation, no worker's tax payments are accumulated to pay his or her future benefits. Furthermore, the amount that the worker is actually paying in Social Security taxes is not based on the amount of benefit that worker can expect to receive eventually.

In 1977, over $90 billion was transferred from the working population to the retired population through the Social Security system alone. This, along with other income transfer programs, represented an estimated 7 percent of the income of the working population. If the current average retirement age and benefit levels continue, this share

of income may be doubled to 14 percent of the working population's income by the year 2030.

Not only are we looking at a future with more retired people receiving benefits and relatively fewer workers to contribute to those benefits, but also there are some other trends which tend to intensify the imbalance:

+ Later entry into the work force due to time for education
+ Tendency to retire earlier (Although there are indications of a lessening of this tendency, the trend has not yet been reversed.)
+ Increased life expectancy for those who reach age 65
+ Double-digit inflation

The greater number of working women raises other concerns that are likely to exert pressure for changes in retirement income. Already, the increased number of women in the labor force and the accelerating divorce rate have highlighted the inequity of a system designed to serve a very different population, in which the presumption was that married women were economically dependent on their husbands. Working women are less likely than men to be covered by private pensions, and they often earn little more in Social Security benefits than they would have received anyway as non-working wives, who receive 50 percent of the amount of their husbands' retirement benefits. There probably will be continued pressure for more generous treatment of former spouses as well as entitlements for non-working wives with small children independent of Social Security entitlements accrued by their working husbands.

Most public employee plans and all tax-qualified private pension plans are "advance-funded," in which employers and/or workers set aside funds in the present to pay future benefits for the workers. In general, these are less vulnerable to demographic shifts than Social Security. However, many private, state, and local pension programs are not fully

funded, and many can be expected to continue to carry large unfunded actuarial liabilities in the future.

Past failures to coordinate the various retirement systems may also generate change through public pressure to correct the inequities that have resulted. Some workers employed by a series of employers in the private sector receive little or no pension because of the relatively long vesting period under the 1974 retirement act (ERISA). Other retirees are able to "double-dip," by pyramiding military, public employee, Social Security, and private pensions into a sizable retirement income.

Public Policy Directions

Retirement income concerns, as they are emerging, are receiving growing national attention. In the forefront of public-sector activity is the President's Commission on Pension Policy, which has been charged with mapping out the framework for a national retirement income policy and with recommending changes to the present system. The Commission's preliminary recommendations, released on May 23, 1980, address several key areas.

The Commission has recommended substantial changes in tax laws to encourage individual retirement savings and, at the same time, to assure more equal tax treatment of employee and employer contributions to pension plans and earnings on these contributions. For example, under present laws employer contributions to pension plans are deducted as business expenses, but employees cannot receive tax deductions for their contributions to their own pensions unless employed where there is no pension plan. The Commission also suggested that Social Security benefits be taxed as income and that the current practice

of taxing the portion of each person's wages that is contributed to Social Security (FICA taxes) be eliminated.

The area of employment as a potential factor in influencing retirement income also received comment by the Commission. The Commission recommended that the Social Security earnings test be removed, but only if the recommendations relating to tax treatment are adopted. Currently, if individuals age 65-72 have earnings over $5,000, $.50 in benefits is withheld for every $1 earned above the limit. In a related recommendation, the Commission strongly supported developing employer approaches, such as job redesign and part-time work, that would facilitate employment for older workers who are able and willing to continue working.

The centerpiece of the Commission's interim report is the suggestion (the language in the report falls short of a recommendation) that the Federal Government should require that employers set up private pensions on behalf of all workers. This suggestion is intended to avoid what amounts to a "two-class" retirement system, in which workers with both Social Security and private pension benefits fare relatively well economically, but those without private pension benefits lack adequate retirement incomes.

While there is unhappiness with the current pension system and concern over the adequacy of the retirement income provided, the recommendations of the Commission, even in their preliminary form, are generating much controversy. Matched against interest in providing adequate protection for older people are financial pressures that limit the ability and willingness of pension and Social Security systems to provide benefits to the growing number of retired people.

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Despite the complexity of the present retirement income system and the impressive total amount of funds it represents, some elderly people live in or very close to poverty, a relative few receive "windfall" benefits, and the expanding numbers of people in the middle are growing increasingly uneasy over the ability of the retirement income system to provide a reasonably secure economic future for them. As concerns are raised over the adequacy of retirement income, many questions are being asked about how to continue funding the increasing costs. Retirement income issues are complex and the stakes are high. Resolving these retirement income issues will be among the most serious social and economic issues in the next 20-30 years.

HOUSING

Where people live is directly related to what alternatives they have and not necessarily to what is the best housing or what their ultimate needs are. The housing needs of the elderly in particular are affected by the dramatic reduction of income which typically occurs on retirement and continues throughout old age. Although their financial resources are more limited, the type of housing appropriate to the elderly is often more expensive to provide. As they accumulate the chronic illnesses and impairments which often accompany old age, their needs call for architectural modifications, as well as supportive services.

A 1974 Louis Harris survey for the National Council on the Aging addressed the question of the major problems experienced during life. Among the elderly, only 4 percent considered housing to be a real problem, compared to 7 percent of the 18-64 category. One probable reason that the elderly are generally uncritical of their housing situation is that they attribute their housing-related problems to other causes. It is possible that the elderly blame their unsatisfactory living situation not on housing per se but on low income or poor health.

Housing is the number one financial expenditure for the elderly, accounting on the average for one-third of their total budget. A 1973 study indicated that the U.S. population as a whole spends 31 percent of their income on housing, compared to an average of 33 percent for those 65 and older and about 48 percent for those over 75.

General Characteristics of Housing of Older Americans

While there is a great deal of variability in the housing of older Americans, certain general statements can be made about the housing situation of the elderly in this country:

+ The elderly are more likely to own their own homes than the general public. In 1973, 64 percent of all U.S. housing units were owner-occupied; 70 percent of the housing units headed by individuals 65 or over were owner-occupied. However, the proportion of owner-occupied units among the elderly declines as age increases.

+ At least half of those 65 or older live in structures that were built prior to 1940. Many of the homes built before 1940 are more than one story. As the elderly get older and their mobility is impaired, it becomes increasingly difficult for them to move about within their own homes.

+ At least 30 percent of the elderly live in substandard, deteriorating or dilapidated housing, according to the 1976 report of the Senate Special Committee on Aging.

+ Almost as severe a problem as overcrowding for younger families is the problem of "undercrowding" which occurs when the elderly live in housing too large for them to maintain and afford. Eighty-nine percent of elderly homeowners and 77 percent of renters live in homes with two rooms or more for every one person.

+ The elderly population is far less mobile than the population as a whole. Between 1970 and 1975, the elderly changed residence at half the rate of the

total population. Mobility rates do tend to rise around age 75, possibly because of institutionalization, changes in marital status, and movement to retirement centers.

+ Only about 5 percent of all retirees leave their home states after their working years. About 70 percent continue in their pre-retirement homes, while 25 percent move to smaller homes in the same area.

+ The largest segment of the elderly population lives in urban areas. In 1975, one-third lived in major central cities and 55 percent lived in urban areas, including major cities and their urban fringe areas. Another 18 percent lived in small cities and towns. Sixty-three percent of the black older population and over 70 percent of older Hispanics live in urban and urban fringe areas.

The Elderly as Homeowners

The net equity represented by homes owned by the elderly is in the billions of dollars. For most, their home represents their single greatest asset. Eighty-two percent of the homes owner-occupied by the elderly are debt-free, versus 36 percent for the population as a whole. However, elderly-owned homes tend to be old and in need of extensive repair and maintenance. Many are located in inner city neighborhoods or older suburbs that have experienced declines in property values. In 1977, the median value of housing units owned by the elderly was $29,200 versus $38,700 for homes owned by younger adults. Thus, though many older homeowners can live rent free, they are at a disadvantage if they wish to sell and move elsewhere. And since their homes are of lower than average value, assets realized from their sale will not go as far in meeting living expenses.

For elderly homeowners, the cost of home maintenance becomes critical. These homes were usually purchased 30 to 40 years ago and may have deteriorated physically. The elderly are often not in a position, either physically or financially, to maintain them adequately. High utility costs are especially serious to the retired living on fixed incomes. Nearly 85 percent of the non-institutionalized elderly have at least one chronic medical problem. This not only increases their medical costs, but also may affect their tolerance for adjusting room temperature to reduce energy costs.

Property taxes present another problem to the elderly homeowner. The typical homeowner spends about 3.4 percent of his income on property taxes. The elderly spend an average 8.1 percent. Elderly homeowners with incomes less than $2000 spend an average 16 percent of their income on property taxes. Property taxes increased by 47 percent in the five years prior to 1976. By 1973, 25 states offered at least a minimal break on property taxes to older homeowners.

There are now a number of efforts designed to assist the elderly in coping with these problems. One is the reverse annuity mortgage concept, which would allow the elderly homeowner to obtain a loan based on the equity he or she owns and use the loan to purchase a lifetime annuity. In effect, the older person gives up his or her house at death in exchange for a regular supplemental income and use of the house. Another means of relief, which is in effect in California, allows elderly homeowners to defer property taxes by granting the state a tax lien on their homes for the amount due and annual interest charges of 7 percent.

The Elderly as Renters

In spite of the problems faced by elderly homeowners, it appears that the elderly who own their own residences are economically better off than those who rent. While the median value of the elderly homeowners' homes is less than that of the average homeowner, the equity they do have in them could be converted to cash to help meet expenses. The elderly renter typically has fewer assets to convert.

When gross rent is figured as a percent of income, over 40 percent of the elderly spend 35 percent or more of their income on rent. For the population as a whole, 23 percent pay 35 percent or more of their income in rent. Almost 60 percent of the elderly, compared with 38 percent of the total population, spend 25 percent or more.

One-seventh of the elderly living in rental housing reside in public housing or government-subsidized private housing. The 1971 White House Conference on Aging estimated that, with the senior population rising, 120,000 units per year should be added to the public housing supply to meet the needs of the elderly. This rate has not come close to being maintained. As of 1975, a total of only 270,000 of all public housing units had been specifically designed for the elderly.

A number of other criticisms have been leveled at the public housing system in relation to its service to the elderly. Housing for the elderly has typically been treated in conjunction with housing for other low-income groups. As a result, the special requirements of the elderly, such as architectural changes, and the availability of supportive services, often are not anticipated. In addition, the public housing program is a program for low-income families. It does not provide housing for families with no income. Many elderly have no income or such limited incomes that they are too poor to qualify for public housing.

An increasing problem for many elderly is the conversion of rental-apartment residences to condominiums. A recent study conducted by the Department of Housing and Urban Development (HUD) found that, since 1970, 1.3 percent of total rental units have been converted to condominiums or co-ops. Fifty-eight percent of the renters of these units were displaced by the conversions. Of these, 12 percent were elderly with incomes below $12,000 per year. Those in the lower and middle income brackets find that they cannot afford the high down payments to buy the units they may have been living in for many years. Moving is difficult and expensive, and rents for comparable homes are often higher. Some communities and states are considering legislation that would require landlords to continue the leases of elderly residents in converted buildings.

Special Housing for the Elderly

There are a number of housing alternatives which have been designed specifically for the elderly. These include retirement communities, full institutional care facilities, and congregate housing facilities. There are also home-care programs which are designed to allow the elderly to remain at home when their capacity for complete self-care is lessened by the circumstances of aging.

The concept of planned retirement communities has generated controversy. Opponents feel that the elderly should remain in the mainstream and not be sequestered in separate communities. Retirement communities have the character of vacation resorts in some respects. Advertising for these communities stresses the problems of crime and violence in the world outside and the security they offer. Retirement communities also offer convenience to social, medical, commercial, and recreational facilities, as well as homes with architectural aids for the elderly. Financial considerations are a major drawback to

retirement communities. In 1973 dollars, it cost a minimum of $6000 per year for a single person and $8000 for a couple to live in the average retirement community. This is beyond the financial ability of most of the elderly, since in 1973 the median income for older couples was $5500.

About 5 percent or 1.1 million older persons lived in institutions of all kinds in 1978, many simply because other forms of living arrangements were not available. Programs which provide support services, such as homemakers, friendly visitors, nutritional, and medical services, are necessary in order to allow the elderly person with some impairment to live at home as independently as possible.

One concept which provides an alternative to full institutional care for older persons with physical, psychological, or social impairments is congregate housing. Congregate housing is a concept which lies between the kind of residence suitable for older persons who are able to care for themselves and the intensive care supplied in nursing homes. In a congregate facility, each resident (or couple) usually has a small private apartment, possibly with some housekeeping services. The facility generally provides an on-site nutrition program and home-care facilities. In 1975 an estimated 2.4 million elderly were in need of congregate housing. The Housing and Community Development Act of 1978 was established as a separate funding mechanism to provide congregate housing services in public or private non-profit housing projects.

Another idea holding some promise is a consolidation of various types of housing facilities and services. This arrangement provides various levels of nursing care and living accommodations for the ill and healthy at one location under one management, allowing residents to move from one area to another as they are rehabilitated or as their condition worsens.

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Two conditions are predominant among the housing problems that the elderly face today. First, many elderly have low incomes and are paying so much of their income for housing that other basics like food and clothing are difficult to afford. Second, while housing subsidies have attempted to make housing more affordable, there has been a comparative lack of financing and coordination in providing housing programs that incorporate supportive services as an integral part of their operation. Housing for older people should always be related to medical, education, recreation, and home-care services. Without a complete network of services, the chances of the elderly functioning at least semi-independently decrease considerably.

CRIME

The issue of crime against the elderly is an area in which the facts contradict many popular views. Misconceptions persist because the lack of adequate data impedes not only identification of specific problem areas but also development of effectively targeted remedies. At least 700,000 older men and women were victims of crime in 1975. The direct danger and impact that crime presents to the older person is hard to define, in large part because data are incomplete and conflicting. The indirect effect that fear of crime has on most older people is also not fully understood, but it is unquestionably very extensive.

Crimes Against The Elderly

National crime statistics show lower overall crime victimization rates for the older population than for the U.S population as a whole, but local surveys often contradict these findings. A national survey conducted by the Law Enforcement Assistance Administration in 1975 found that there was a personal larceny rate of 25 victimizations per 1000 persons 65 and over, compared to a rate of 96 victimizations per 1000 people of all ages. However, the crime victimization rate appears to be higher for older people in certain specific localities--most often in metropolitan areas. A Kansas City study found that older residents of low-income areas were victimized at rates three to four times that of the overall city population.

While the elderly have low victimization rates for certain types of crime, they have very high victimization rates for other types of crime. Generally, older people have low rates of victimization for crimes against the person, particularly for the three violent personal

crimes of homocide, rape, and aggravated assault. However, certain personal crimes, particularly purse-snatching and pickpocket robbery, are heavily directed at the elderly.

Older Americans are more frequently victims of property crimes than crimes against the person. Residential burglary is one crime which is heavily directed against older people. More than any other crimes, fraud and confidence games are directed against the elderly. The San Francisco and Los Angeles police departments have reported that 90% of confidence victims are 65 or older. Common criminal strategies involve impostor bank examiners, real estate investments, and bogus medical cures.

On an overall basis then, property crimes, particularly fraud, are far more frequent against older people than are personal crimes. Nevertheless, the fear and concern of older people focuses heavily on personal crimes. Perhaps one reason for this is the recent dramatic increase in personal crimes against the elderly, infrequent though they still are. There has been a significant recent increase in unprovoked violence as a part of stranger-to-stranger crimes, and increasing numbers of older people are being assaulted when such action is unnecessary to completion of the criminal act. This overall rise in crimes which touch the victim directly has further elevated the already acute level of concern among older Americans.

Elderly Victims of Crime

There are several factors which may contribute to making older Americans especially vulnerable to crime. These include reduced physical strength, proximity to high-crime areas, limited income with which to change residence or buy protective devices, living alone, and limited access to consumer information.

Certain factors, such as being poor, female, and living alone, increase the likelihood of being a victim of crime. The low-income aged, like the rest of the poor, generally live in high crime areas. Sixty percent of persons over 65 live in metropolitan areas, and most of them cannot afford to move to the suburbs. The crime rates against old and young groups alike in such areas exceeds overall population crime rates, with crimes against inner-city elderly occurring at a particularly high rate. In a survey of inner-city New York City residents 60 and older, 41 percent said they had been victims of crime in the recent past. Most public housing available for use by older Americans is located in poor, high-crime neighborhoods. Security hardware, an important crime deterent, is not usually available to the elderly poor who live in deteriorating housing.

In almost all crime victim surveys, the older woman emerges as an especially popular crime target. Among the older population there are more women than men, and a large proportion of them live alone. This becomes increasingly the case with advancing age, and makes older women especially vulnerable to crime. A California study found that among older women, one in 24 became a robbery victim, compared to one in 146 of the general population.

Older blacks are more often victims of crime then are older whites. This evidently relates to their lower average incomes, which results in a greater likelihood that they live in high-crime neighborhoods.

Several studies have indicated that it is safer for older people to live in age-segregated than in age-integrated housing. In one of these studies, the elderly crime victimization rate was 15 percent in housing which was restricted to older people, compared to 38 percent in housing in which older people lived with other age groups. An important element is the fact that the known criminal population includes relatively very few older persons.

Effect of Crime on The Elderly

Fear, whether justified or not, is perhaps the most devastating effect of crime for older people. While older persons evidently suffer the lowest overall crime victimization rate of any age group, in survey after survey they express fear of crime as a high priority concern. A 1973 poll conducted by the National Retired Teachers Association/American Association of Retired Persons on needs and concerns of the elderly found that crime was second only to income as a serious concern. A 1975 Gallup poll of elderly persons placed crime ahead of all other concerns, including inflation and unemployment. In a 1977 poll taken in Missouri, 97.8 percent of respondents identified crime as "a very serious problem." The perceived threat of criminal assault restricts the lifestyle and mobility of millions of older people, thus impairing their independence and their ability to act in their own self-interest.

When older people do become the victims of a crime, the consequences can be far more devastating than for younger persons. Economic loss, even if small, can cause severe hardship for a person living on a small pension. In a Kansas City study, the median burglary loss of elderly burglary victims was only $96, but 48 percent of the victims were living on an income of less than $3000 a year.

Physical injury usually has far more damaging consequences for an older person than a similar injury to a younger person. The psychological effect is difficult to measure, but is surely far-reaching, occurring as it often does to someone already in a state of anxiety about crime.

Crime Protection for Older Americans

Older Americans have little faith in the ability of the criminal justice system to protect them, and available data tends to validate this skepticism. Several studies indicate that conviction rates are 1 percent or less for the major crimes most frequently committed against older persons or their property. Nationally, for every 100 burglaries, only 45 are even reported, and about 1 percent result in conviction.

The criminal justice system in the United States is not really a system, but is made up of many independent components. This leads to a lack of system-wide information and effective coordination in protection efforts. In most metropolitan areas, the police cannot cope adequately with the present level of criminal activity, in large part because of fundamental inefficiencies in the system itself. Even if police activity were to become more efficient, the results would overwhelm the court system. One central weakness of the system is the fact that victims of crime generally have very limited participation in the criminal justice process, and there is often no legal provision for aid to victims. Fewer than half of the states have laws to compensate victims of a crime.

Historically, efforts to probe the motivational aspects of crime have been disappointing and have not achieved any real consensus as to why people commit crime. Equally disappointing have been efforts at rehabilitation of criminals.

An estimated 95 percent of all criminals are amateurs who commit crimes of opportunity. This is especially true of burglary--it is estimated that 65 percent of all burglaries are committed by persons under 20 years of age. Typically, these burglars operate on a very local basis, within several blocks of where they live.

Properly designed crime prevention programs have been shown to be effective against these crimes of opportunity committed by amateurs. These programs focus on removal of easy opportunities for crime and enlist local community involvement.

A number of local crime prevention programs have been highly successful, producing beneficial results for older persons living in the areas involved. Typically, such programs have used senior centers or similar organizations as focal points and rely heavily on participation of older residents. Effective strategies include distribution of information on what crimes actually are frequent in the local area and instructions on do-it-yourself prevention methods which are simple but effective. These local programs stress the participation of older residents in neighborhood watch and property identification programs and as aides to local police in various capacities.

Crime prevention efforts are mainly local and limited in number. While it is clear that crime prevention programs can be very effective, many communities lack the resources and know-how to initiate such efforts. Several national organizations have been attempting to correct this deficiency, and some of their efforts are specifically designed to combat crime against the elderly. Funding and other support is being provided by The Law Enforcement Assistance Administration, The Administration on Aging, The National Council of Senior Citizens, and National Retired Teachers Association/American Association of Retired Persons.

An overall objective of these programs is to provide training for police in the special crime protection needs of the elderly, to foster effective workng relations among the local police and community groups which should be involved, and to provide them with workable problem-solving methods. These programs also facilitate extensive participation by older persons in crime protection and victim assistance activities. Such activities

include street and building patrols, surveys to identify isolated older persons, providing them with locks and alarms, linking older neighbors to each other, and participation in Operation ID programs to discourage theft of property. Local police are trained to encourage self-protection by the elderly, to provide them with information on the nature of the most threatening crimes, and to suggest methods they can use to reduce their vulnerability.

The general public has traditionally underestimated the capacity of older people to protect themselves against crime, and this attitude itself has been a barrier to such protection. In many ways, older persons can do even more than other citizens to prevent crime--they have more time and are apt to be highly motivated to become involved.

* *

The problem of crime against older Americans can best be evaluated from the perspective of its effects on the lives of older persons rather than simply in terms of victimization frequency data. Viewed in these terms, the fear of crime is a major force which prevents millions of older Americans from leading the productive and self-sufficient lives which would otherwise be possible. However, in a number of communities, a significant degree of crime protection for older people has been achieved through relatively simple programs which coordinate the efforts of existing local facilities and show older persons how they can effectively protect themselves and their neighbors.

OLDER AMERICAN CONSUMERS

The post-World War II baby boom and the recent coming of age of its members has given society a focus on youth and young adults. American business has naturally oriented its efforts toward these huge markets. The momentum of this orientation has caused the older American consumer markets to be overlooked to a significant degree, even during a period when they are becoming increasingly important.

There appear to be misconceptions concerning the over-65 population which may lead to misjudgments concerning the market opportunities represented by this group:

+ The size and potential of this market is often underestimated. There are approximately 24 million American consumers age 65 and older. Although they comprise only 11 percent of the population, 20 percent of all U.S. households are headed by someone 65 or older.

+ There is a tendency to view older people, simply because of their age, as very like each other, with the same needs, interests, and preferences, but different as a group from the rest of the population. Hence, they are considered to be important consumers for only a limited range of products, such as denture cleansers, laxatives, tonics, and pain relievers.

+ Special needs, which are shared by large numbers of this group--especially women and those in the upper age ranges--are not well understood and often not taken into account in the design of products and services. About 60 percent of the age 65 and older consumers are women and of these about nine million are single, most often due to divorce or death of spouse. Many of them are making

decisions as consumers for which they have little effective experience or guidance.

Income

Income of older Americans is discussed more fully in the "Retirement Income" chapter, but several income characteristics of this group are especially significant to an assessment of older Americans as consumers.

As consumers, older Americans have less to spend than younger age groups. However, the effective amount of the difference is often overestimated. Although in 1977 the median family income of households headed by persons over 65 was only 57 percent of that for all U.S. households, the average size of households headed by persons over 65 was 1.8 persons compared with 2.9 persons for all U.S. households. This suggests that households headed by persons over 65 may have more income for consumer purchases than individual income data might indicate.

The Problems of Access For Older Consumers

Acting effectively as a consumer requires ease of access to a variety of product and service choices as well as to sources of information about them. Limitation of such access is a very significant problem shared by older consumers, particularly members of minority groups, the old-old, and those at lower educational and economic levels.

This problem of access may play a role in the underutilization of essential services and assistance programs which are available to the elderly. In some communities, two out of

three elderly persons eligible for food stamps are not receiving them. Only half of the blind or disabled old persons who qualify for Federal Supplementary Security Income payments are getting them. The 1974 Harris survey for The National Council on the Aging revealed that a variety of facilities are considered to be less convenient by those over 65 than by those under 65. These included places to shop, as well as health, recreation, and other community facilities.

Limitations on access to consumer choices arise from two general conditions which affect many older Americans--reduced physical mobility caused by shortcomings in the U.S. transportation system, and isolation from the many sources of consumer information which are accessible to younger people, who are still in the economic mainstream.

Transportation

An important aspect of the problem of access for older consumers in the United States is the transportation system. The automobile is the primary source of transportation for the general public, and dependence on automobile transportation increases as a person ages. However, as people age, the availability of the automobile as a means of transportation decreases since both automobile ownership and licensing decline among the older population. Lack of automobiles in the 65-and-over population is twice that of any other age group, with nearly 40 percent of the households headed by an older person not owning an automobile. These differences cause the older population to depend more heavily on public transportation than do younger people. However, they are often more vulnerable than young people to the shortcomings of the mass transportation system, and their utilization of it is only slightly higher than the average for the general public. Transportation problems are most acute for the rural elderly, who often are unable to utilize essential and valuable medical, recreational, and other social services because adequate transportation is not available.

Access to Information

Senior centers are a potentially significant focal point for social contact and the exchange of information among older Americans, particularly since their attendance is heaviest among the least mobile segments of the elderly population -- minorities and those in the lower educational and economic levels. There are over 5,000 senior centers and golden age clubs throughout the United States located within a convenient distance of over half the elderly population. According to a recent study, 25 percent of that group had attended a senior center during the previous year. Membership in associations of retired persons presents another potential means of access to consumer information for older Americans. With over 12 million members, the National Retired Teachers Association/American Association of Retired Persons is the world's largest membership organization.

Older people are more likely than the general population to be heavy readers of newspapers and magazines; they also tend to tune in to TV and radio more frequently. Their preference in TV and radio is for news and sports, with less interest than the general public in other kinds of non-news programs. Their preference in magazines tends toward travel, health, business, and the home. It appears likely that older consumers obtain a proportionately larger share of the product and service information they need from these sources than do younger people, who have greater physical mobility and a wider range of personal contacts.

The limitations described above which affect older people in their actions as consumers are especially important in view of the complexity of many of the consumer decisions they must make. Although a variety of public support programs is available to many older people, access to them is often difficult because the signing-up process is complex or

because of an inadequate delivery system. Other major decisions which confront older people are intrinsically complex, involving such matters as insurance, estate planning, and asset management. Widows are particularly vulnerable because often they have had little or no prior exposure to these matters. In making these important financial decisions, difficulty of access to practical information can become a very significant problem.

Older Americans As Insurance Consumers

Older people find access to practical information to be of critical importance in connection with their use of insurance products and services. Such access is often impeded by conditions which are common among those over 65. Relationships with insurance agents may have been terminated by a change of residence, by death of a spouse, or by death of the agent. Retirement from work may terminate employee insurance benefits. Even if insurance benefits continue after retirement, contact with the employer or some other insurance representative may cease, thus creating an "insurance orphan."

In addition to the general problem of obtaining information about insurance, there are several specific areas involving insurance which have been widely perceived as problems during the past decade. A 1970 report of the Senate Special Committee on Aging stated that insurance difficulties of older drivers primarily reflect inaccurate stereotyping by insurance underwriters rather than actual risk factors. A 1972 study by The National Safety Council stated that the older population is actually involved in fewer accidents relative to their numbers in the driving public than is the younger population. According to that report, drivers over 65 comprised 8.5 percent of all drivers, but they were involved in 5.3 percent of all accidents. A 1978 study of consumer financial decisions indicated

that in households in which the male head is a retired person, frequency of claims for both automobile and homeowners are significantly lower than average. The availability of insurance for older drivers currently is not perceived to be as serious a problem as it was when these studies were made, but the actual degree of change has not been documented.

The 1978 study found evidence that households which are headed by retired persons change automobile insurance carriers less frequently than the average household. Both males and females in this group are less price-sensitive and more concerned with receiving value for the money they spend. These households also tend to be less concerned than the average over privacy of personal information.

Another aspect of insurance perceived by many to be a problem affecting the elderly is the cost and availability of insurance covering volunteers, many of whom serve the needs of the elderly. Three specific categories of volunteers have been cited in this connection: directors or board members of service agencies, professional volunteers (particularly health professionals), and volunteer drivers. Insurance availability is considered to be a factor in the effective functioning of these groups. A White House task force has been appointed to study the problem, and several private organizations have been formed to facilitate acquisition of insurance for volunteer workers.

Another issue relating to the insurance needs of older Americans involves the sale of "Medi-gap" coverage. Two-thirds of those over 65 have purchased some form of private health insurance to supplement Medicare payments for hospital charges, and over one-half have purchased some form of private health insurance coverage to supplement Medicare payments to physicians and other medical service providers. For the most part, the supplemental plans provide additional coverage for Medicare benefits by paying deductibles and coinsurance charges rather than by offering additional benefits. The wide variety

of plans available and the complexity of selecting a plan which is responsive to individual needs confront elderly consumers with purchase decisions which they sometimes are not able to make on a basis of well-informed self-interest. This situation has recently become the subject of public concern and Congressional investigation.

Older people appear to be changing their attitudes on the subject of leaving an estate to their children. This may be the result of several factors. One effect of the high rate of inflation during the past decade has been to reduce the relative size of estates saved by members of the older generation, compared to the current-dollar earning power of their children. Another factor has been the acceptance by many older people of a more self-indulgent attitude--a belief that they might as well enjoy the fruits of their own labors and savings. Taken together, these views put the savings represented by life insurance into a perspective which differs from that of previous generations.

Older Americans have insurance needs which many feel are not currently being fully served and which may represent both problems and opportunities for insurers. These include such areas as automobile insurance for older drivers and volunteers, liability insurance for volunteer professionals, and convenient contact for information and other services in connection with a variety of insurance products. In these areas, it may be necessary to reach beyond present underwriting approaches, currently available data, and existing service procedures in order to respond to customer needs in an effective manner.

* *

The present size, the projected growth, and the diversity of the older American population assure that this group will represent an important potential market for many kinds of business during the 1980's.

Consumer issues specifically affecting older Americans have achieved a priority position on the agendas of legislative and regulatory bodies at the state and federal levels. Continued priority attention seems assured by demographic realities, by the effective political representation of older Americans by such groups as the Gray Panthers, and by strong intergenerational bonds between individual government representatives and members of the older generation.

IMPLICATIONS

A complex and increasingly expensive network of government programs is targeted at the perceived problems of older Americans. Current estimates show that 25 percent of federal spending will be directed toward aiding the elderly during the next fiscal year. Despite increased spending and expanded federal programs, there is mounting concern that the resulting patchwork of assistance is missing the mark in many instances and, in total, is neither effectively dealing with needs nor providing adequate opportunities for older Americans to be productive members of society.

If public funding and government programs have not been effective in solving many of the problems faced by older Americans, then other kinds of remedies must be developed. Fortunately, such remedies are available, they appear to be feasible, and they also appear to have the potential to provide involvement by the private sector, without involving massive expenditures.

In the pursuit of remedies for the problems of older Americans, the private sector can provide leadership most effectively in three areas of activity:

+ Putting to better use the substantial resources and capabilities of the elderly population itself;

+ Expanding existing products and services for the elderly to include new products and services which would help satisfy presently unmet needs and which would provide them with a wider choice of alternatives;

+ Promoting a greater understanding of the capabilities and needs of older Americans so that these capabilities can be used and their needs can be more effectively served by business, often on a profitable basis.

Using the Capabilities and Resources of Older Americans

Most older people wish to be useful and are capable of performing needed roles, but are discouraged from doing so because of existing barriers. Some of these barriers and limitations have been created by business, while others have been created by government. In either case, business can provide leadership in seeking their removal.

In the area of employment, the introduction of more flexible retirement plans could provide a means by which older employees could continue working on a schedule appropriate for their own personal needs and capabilities, but consistent with the needs of their employers. If the Social Security earnings test were removed, a major work disincentive for persons over 65 would be eliminated.

Further encouragement for self-sufficiency of older people could be provided by modifying requirements of insurance plans which specify that health-care services be received in an institution in order to be reimbursed. Greater flexibility in work schedules would help the children of dependent elderly parents to care for their parents at home, rather than having to place them in institutions.

There are also significant opportunities for the private sector to provide guidance and support to put older people into useful roles in serving the needs of their elderly colleagues, either as paid workers or as volunteers. The private sector can provide

support by designing assistance programs in such areas as health promotion, crime prevention, and home safety, and also by supporting agencies such as job banks.

Expanding Products and Services for Older People

In the area of health care, older people need to have a wider range of choices of service in order to be able to keep themselves in a home setting and be self-sufficient to a significant extent. Business can assist by supporting health-care services which avert hospitalization, such as home care and day care.

The need for older people to have a wider range of choices in order that they may remain self sufficient is equally important in the area of housing. Here, as in other areas, the choices available relate closely to income. A possible opportunity for business to provide leadership in serving a need lies in the concept of reverse annuity mortgages. This mechanism could enable elderly homeowners to convert equity in their homes to current income, guaranteed for life, while making possible continued residence in their own homes.

As consumers, the elderly possess more limited choices than other age groups because of restrictions on their physical mobility and difficulty of access to information on products and on how to obtain available services. Business can help to reduce these barriers and to widen older persons' range of choices as consumers by assistance in transportation, by making extra efforts to provide product information, particularly in connection with complex products such as insurance, and by helping senior citizens with the process of enrolling for needed services and benefits.

Understanding the Needs and Capabilities of Older Americans

A number of surveys of the American public have uncovered pervasive misconceptions about older people. Until the public begins to see most elderly people in the same way they see themselves -- as capable and adaptable individuals -- the opportunities for older people to contribute to society will be limited. The private sector can help dispel some of these misconceptions through advertising and through the support of media programs which present older people in self-sufficient and meaningful roles.

A greater understanding of the problems of older people also is needed on the part of the professionals who are responsible for servicing these problems. In the area of health care, greater attention by the medical and social service communities to chronic health problems and the need for geriatric medical training and research could do much to reduce and manage many of the health problems of the elderly.

The need for greater understanding is also important in the area of crime. Better information concerning crimes against the elderly would make possible more effective prevention measures and would reduce the limiting effect that the fear of crime has on older people.

A better understanding of the product and service needs of older consumers would enable businesses to serve these needs more effectively and with greater potential for profit. In the area of insurance, there is evidence which indicates that older people may represent a more attractive market than is generally believed to be the case, because of their favorable automobile claim experience and higher-than-average company loyalty.

* *

The trend toward increasing numbers of older people in the United States is unmistakable. There is mounting evidence that older people want to be useful and growing recognition that there is work for them to do. The potential contribution that older people can make depends not only on their own confidence and abilities but also on the willingness of all institutions--government, non-profit, and the private sector--to provide opportunities for them to remain active and contributing members of society.

RESOURCES FOR FURTHER INFORMATION

National Organizations and Agencies

National Retired Teachers Association/American Association of Retired Persons
(NRTA/AARP) 1909 K Street N.W.
Washington, D.C. 20049

National Council for Alternative Work Patterns
1925 K Street N.W., Suite 308A
Washington, D.C. 20006

National Council on the Aging (NCOA)
1828 L Street N.W.
Suite 504
Washington, D.C. 20036

President's Commission on Pension Policy
736 Jackson Place N.W.
Washington, D.C. 20006

Special Committee on Aging
Senator Lawton Chiles, Chairman
Room G-233
Dirksen Senate Office Building
Washington, D.C. 20510

The Urban Institute
2100 M Street N.W.
Washington, D.C. 20037

State and Local Organizations and Agencies (Hartford)

Connecticut Department on Aging
80 Washington Street
Hartford, CT 06106

Hartford Aging Services Department
354 Main Street
Hartford, CT 06103

Retired Senior Volunteer Program (RSVP)
115 Sigourney Street
Hartford, CT 06105

YMCA Pre-retirement Counseling Program
160 Jewell St.
Hartford, CT 06103

Most other communities have comparable agencies and branches of national programs.

Selected Reference Materials

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Reference materials are available either from the Travelers Corporate Library or the Corporate Research Division.